

## SOUTH ASIA REGIONAL INITIATIVE FOR ENERGY COOPERATION AND DEVELOPMENT

### Social and Economic Benefits of Regional Trade via the Indo-Lanka Land Bridge

#### THE REGIONAL TRADE PROJECT CONCEPT

In July 2002, the governments of India and Sri Lanka announced plans to jointly undertake studies of a 44 km road and rail bridge between Dhanushkodi (India) and Talaimannar (Sri Lanka).

Realizing the potential benefits of combining a power transmission and telecommunications link with the land bridge project, SARI/Energy worked with the Sri Lanka Board of Investment to expand the land bridge into a Regional Trade Project (RTP) that would provide increased benefits to both countries and connect the two grids, as shown in the map below.

The RTP centerpiece consists of a multipurpose "intelligent highway" with a shared right-of-way for a rail link connecting southern India to the Port of Colombo, a fiber-optic link for telecom interconnection, a natural gas pipeline, and a power transmission interconnection. A dedicated power generation facility and associated economic development zones are also part of the planned project. These components provide additional revenue streams and a greater benefit in combination and at lower

costs than if the land bridge is undertaken separately. The total cost of the RTP is estimated at about \$1 billion with an additional \$1 billion required for a new power generation plant and associated transmission system. Undertaken as a joint public-private sector project, the RTP envisions more than 75% of the funds coming from the private sector. It is anticipated that within a few years, the RTP would produce a revenue stream of approximately \$1 billion/year.

#### RTP ECONOMIC AND SOCIAL IMPACTS

The RTP will provide enormous economic, social, and political benefits to both countries, much like similar multi-use infrastructure projects, such as the Bangabandhu Jamuna Bridge in Bangladesh, the bridge linking the Macao peninsula and Taipa Island, and the transoceanic bridge between Ningbo to Shanghai (Cixi in East China's Zhejiang Province) over Hangzhou Bay.

The following table summarizes the expected annual incremental revenue accruals to the two economies, as a result of the implementation of the India-Sri Lanka RTP.

#### *Conceptual Interconnection Between the Indian and Sri Lankan Grids*



## Estimated Annual Revenue Additions to India and Sri Lanka

S.No	Sector	Annual Revenue Generation (\$ Million)
1	Telecommunication	265.00
2	Freight	50.00
3	Railways	46.40
4	Toll Tax	70.60
5	Bus Services	4.60
6	Power Sector	345.70
7	Tourism	210.90
8	Education and Health Services	14.30
	Total	1,007.50

## ECONOMIC IMPACT

The RTP will provide alternative options for passenger travel and freight movement, leading to private sector participation in the transport, communications, and road construction sectors, and would also boost tourism between the countries. Availability of energy will facilitate accelerated economic growth, and market access will attract foreign direct investment. As price elasticity for essential commodities is quite high in Sri Lanka and India, reductions in prices will improve living standards even at existing income levels. The overall cascading effect will produce significant economic gains, resulting in higher economic growth rates, per capita income, and employment generation; reduced poverty; and better regional integration.

## SOCIAL IMPACT

Access to electricity, roads, transportation, better communications facilities, and larger markets will result in the social transformation of the adjoining areas. Faster economic growth will lead to deeper social, political, and cultural integration. Improved access to education, hospitals, and electricity will reduce political and social alienation on both sides of the RTP.

## POLITICAL IMPACT

Improved cultural coherence and social tranquility increases political stability and integrates political forces and institutions, ushering in the multiplicity of democratic institutions for a vibrant and robust political system. Addressing regional aspirations will support national reconciliation and ensure collective participation in nation-building. Increased bilateral economic relations will help integrate both national economies, enhancing regional stability.

## OVERALL BENEFITS

The combined tangible benefit for both countries to be derived from implementing the RTP total is over \$1 billion per year. In addition, the RTP will create approximately 125,000 new job opportunities in the tourism sector in Sri Lanka alone, which would increase employment in this sector by over 100% and help reduce the poverty ratio by 10-15%. There will also be ancillary benefits from collaboration in agriculture and joint investment in other sectors (e.g., establishment of special economic zones). The combined revenue streams from power, telecom, and tourism alone represent 81.54% of the increased trade revenue in India and Sri Lanka. Combining the infrastructure components of the RTP make it financially viable and commercially sustainable.

Large infrastructure projects of the magnitude of the RTP are rare but, upon completion, they provide tangible benefits within an acceptable payback period while providing a unique opportunity to involve private investors in partnership with the public sector.